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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 001531

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NSC FOR WATERS

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TAGS: [ECON](#) [ETRD](#) [PINR](#) [PREL](#) [EG](#)

SUBJECT: EGYPT: TRADE MINISTER HINTS AT BROADER POLITICAL AMBITIONS

REF: A. CAIRO 1417  
[B.](#) CAIRO 1462

Classified By: DCM Stuart Jones for reasons 1.4 (b) and (d).

[¶](#)1. (C) Summary: In a pointed and wide-ranging speech to the American Chamber of Commerce in Egypt, Trade and Industry Minister Rachid Rachid called for reform of Egyptian education, infrastructure, energy policy, and other areas far removed from his trade portfolio. The ambitious speech encouraged speculation that Rachid, a leading economic reformer, hopes to replace Prime Minister Nazif during the next cabinet shakeup. End Summary.

[¶](#)2. (SBU) Minister Rachid Mohamed Rachid had been scheduled to speak to the AmCham May 15 in a periodic address on a conventional subject, "The Ministry of Trade and Industry in a High-Growth Economy." But he began the talk to the capacity lunchtime audience by framing his remarks, jokingly, as part of a campaign to run for AmCham president. Joke or not, the range and tenor of the speech was at least Prime Ministerial, if not Presidential (ref A).

[¶](#)3. (U) Rachid began by recounting his successes. Exports increased 46 percent last year alone, while investment in industry has increased nearly sixfold since his first AmCham speech in 2004. He cited new training programs for Egyptian workers and free-trade agreements with Europe, Arab countries and Africa, as well as the Qualified Industrial Zone (QIZ) agreement with the United States. New registrations of small-to-medium enterprises have risen from 800 a week in 2004 to 2,200 a week this year, he said.

[¶](#)4. (U) He then turned to his concerns, "points in my mind that sometimes wake me up at night." The concerns dealt with areas outside of his purview as trade minister, although he said they do concern the AmCham in its role as a partner for government in creating a positive business environment.

[¶](#)5. (U) At the top of Rachid's list of concerns was education. He noted that Egypt simultaneously has high unemployment but a shortage of workers with the right skills. Energy policies are also failing to meet the demands of an expanding economy, he said. And while bank restructuring is making progress, the Egyptian banking system still needs to move more money into communities, he said.

[¶](#)6. (U) Rachid was particularly critical of infrastructure in Egypt. "The China story is about infrastructure. The Malaysia story is about infrastructure. Everywhere in the world today, any developing country understands that infrastructure will make it or break it." Market discipline is another shortcoming, he said, arguing that the large size of the informal economy is hindering economic development. And inflation is hurting average Egyptians, he said:

"Millions of people in Egypt have not yet seen the reward of our economic reform. It is unfortunate that they are seeing the bad side of it and we cannot ignore that."

**¶17.** (U) Rachid warned that the government of Egypt is failing to recruit the best young people to careers in public service. In contrast, he mentioned meeting a 27-year-old deputy minister of trade during his recent visit to Kazakhstan (ref B) and added that Egypt should ensure people in their twenties and thirties could be ministers. (Audience members at one VIP table squirmed uneasily at that notion.) The private sector, which now has a place of primacy in the economy, needs to assume commensurate leadership in the area of social responsibility, Rachid said. Likewise the private sector should not tolerate companies that cheat on taxes, violate labor laws, and respect consumers.

**¶18.** (U) Rachid's ninth concern was "messaging" -- or explaining to average Egyptians the goals of reform -- and the last point on his list, encapsulating the rest, was to secure Egypt's place in the world economy. That place, he said, should be firmly in the "second tier of developing countries" alongside China, India, Brazil, and South Africa. "But we have to work hard to get there," he said.

**¶19.** (U) Questions focused on a similarly broad range of subjects from natural gas prices to labor unrest to the future possibility of free-trade talks with the United States. In response, Rachid referred to Ambassador Ricciardone's introductory comments that US-Egyptian trade is growing robustly. "If that is going to continue to happen, I am very happy," he said. "We should judge the relationship between us and the United States or any government by the results, not by the number of agreements that we sign."

CAIRO 00001531 002 OF 002

**¶10.** (C) AmCham members continue to gossip about the speech. Ahmed Sahmy, head of HP in Cairo and a candidate for the AmCham board, told Econcouns sotto voce the following day that the speech "was a prime ministerial speech, not a speech by the minister of trade."

**¶11.** (C) Comment: While Rachid critiqued the full range of Egyptian economic issues, he said not a word about freedom, democracy, or politics in general. That could be read as a reflection of his focus on business or the GOE's overall reform priorities. However, it is most likely just an indication that as a politically ambitious minister, he knows which subjects are safe for poaching and which are best left alone.

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